

HR Committee

22nd September 2016



Report of: Service Director HR & Workplace

Title: Apprenticeship Levy

Ward: N/A

Officer Presenting Report: Richard Billingham

Contact Telephone Number: (0117 92) 22670

Recommendation

That the Committee notes this report.

Summary

The report explains the implications for the Council of the Apprenticeship Levy.

The significant issues in the report are:

- The Council will have to pay the Apprenticeship Levy from April 2017. The levy will be 0.5% of the Council's payroll.
- The Council will be required to increase the number of apprentices and/or develop the skills of its workforce in line with a statutory Apprenticeship Quota.
- It is likely that the Council and schools will be treated as one employer.
- A new Institute for Apprenticeships will be established to regulate the quality of apprenticeships.
- New national Apprenticeship Standards will be introduced.
- The Levy will fund new apprenticeships. It will not affect existing apprenticeships.
- The Council will receive an Allowance of £15,000 per year, and will have access to a top-up scheme for apprenticeship training.
- There may be a cap on how much can be spent on each apprenticeship and further top-up allowances for 16-18 year olds, in line with the Government's vision.
- Further changes to the new system are possible in June 2017.

Policy

1. Not applicable.

Consultation

2. **Internal**
Not applicable.
3. **External**
Not applicable.

Context

4. The apprenticeship levy requires all employers operating in the UK, with a pay bill over £3 million each year to make an investment in apprenticeships. The levy will be 0.5% of the Council's pay-bill which is currently £264 million approximately. Assuming a 25% reduction in the pay bill owing to restructure and Voluntary Severance the pay bill could be £198 million therefore 0.5% of this sum is £990k per year. The Council's levy commitment could therefore be £990k per year. (This includes schools).
5. As of 2017 the Council will have a statutory duty to work towards employing the Apprenticeship Quota, which means that 2.3% of the workforce will need to be apprentices. Based on a post restructure workforce (including schools) of 12,342 employees this equates to 283 apprentices. However, developing the existing workforce will count as part of this figure if some of the Apprenticeship Fund is used to enhance their skills.
6. Currently we employ 102 apprentices, meaning we will need to recruit 181 more apprentices to hit the target, though this will depend on how many of our existing employees are developed through the apprenticeship fund. The 102 current apprentices includes schools and On-Site – the BCC Construction Apprenticeship programme. The extra apprentices required would need to be funded over and above the levy as part of the workforce and will be paid through the payroll system.
7. It appears that the Council and schools will be treated as one employer hence the need to employ such a large number of apprentices to meet the quota requirements. It is proposed that there will be a lead time to prepare for this change.
8. It is feasible that the levy and the quota could be used as an opportunity to develop existing employees in Social Work, Surveying and Engineering and other skills shortage areas. It could also address other skills gaps post restructure.
9. As part of a move to a Digital Apprenticeship Service every employer will have a digital account with funds available from the Government to pay for apprenticeship training and assessments. Employers will have to declare their liability to HMRC in May 2017 for levy due on their April payroll and shortly after will see corresponding funds in their digital account. The move is set to revolutionise the funding of apprenticeships by giving employers complete choice on how they spend their money when funding apprenticeship training and education.

10. A new Institute for Apprenticeships will be established to regulate the quality of apprenticeships. New Apprenticeships are currently being developed and the old ones are being updated. The Council has fed into some of these. The old frameworks will disappear and be replaced with Standards.
11. The Levy will fund new apprenticeships. It will not affect existing apprenticeships. Employers committed to apprenticeship training will be able to get out more than they pay into the Levy through a top-up scheme which will be 10% of what employers pay in.
12. The Levy will be deducted on a monthly basis through our payroll system. We will need to prepare for this as there may be a time lag between paying the Levy and receiving funds through our electronic account. Each employer will receive an Allowance of £15,000 to offset their Levy payment. If employers do not spend their Allowance within 18 months they will lose the money (it will go to another employer). The Allowance is not a cash payment and cannot be used to purchase apprenticeship training – it is an off-set mechanism.
13. Less than 2% of UK employers are expected to be in scope.
14. There will be a cap that limits how much can be spent on each apprenticeship and possibly further top up allowances for 16-18 year olds. This allows more of a strategic approach to which apprenticeships should be funded in line with the Government's vision.
15. The Levy will allow employers to spend the funding with any approved educational provider. The Council will need to budget for making payments to educational providers (ie, colleges etc) as there may be a time lag as to when funding hits the Council's electronic account.
16. The new system will be reviewed, with further changes possible in June 2017.
17. In the first year of the Levy we will be able to use the funds in our account to pay for apprenticeship training and assessment of our own employees. Employers who are connected such as the Council and schools will be able to pool their funds (the Council and schools have the same PAYE number so may be treated as one employer), which may mean we will have one account for the Council and schools that we will need to use for all apprenticeships.
18. More detailed information is available at <https://www.gov.uk/government/publications/apprenticeship-levy-how-it-will-work/apprenticeship-levy-how-it-will-work> and <https://www.gov.uk/government/collections/apprenticeship-standards>

Proposal

19. That the Committee notes this report.

Other Options Considered

20. None, as this report is for information only.

Risk Assessment

21. Not applicable.

Public Sector Equality Duties

- 22a) Before making a decision, section 149 Equality Act 2010 requires that each decision-maker considers the need to promote equality for persons with the following “protected characteristics”: age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. Each decision-maker must, therefore, have due regard to the need to:
- i) Eliminate discrimination, harassment, victimisation and any other conduct prohibited under the Equality Act 2010.
 - ii) Advance equality of opportunity between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to --
 - remove or minimise disadvantage suffered by persons who share a relevant protected characteristic;
 - take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of people who do not share it (in relation to disabled people, this includes, in particular, steps to take account of disabled persons' disabilities);
 - encourage persons who share a protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.
 - iii) Foster good relations between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to –
 - tackle prejudice; and
 - promote understanding.
- 22b) No equality impact assessment has been undertaken because this report is for information only.

Legal and Resource Implications

Legal

None, as this report is for information only.

Financial

(a) Revenue:

“It would be prudent for the Council to consider provisioning for:

- I. The levy which is currently estimated at £990k
- II. The estimated increase of 181 apprentices at £1.5m which includes pay and expenses

The above figures should also be considered in light of the current restructure targets and the effect on the long term financial model.”

Advice provided by Kevin Lock (Finance Manager).

(b) Capital

None, as this report is for information only.

Land

Not applicable.

Personnel

Not applicable.

Appendices:

None.

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers:

None.